SGGF

Management Corporation

2008 Annual Report

Creating economic wealth and
diversification through investment of immigrant
investor capital in Saskatchewan

SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

TABLE OF CONTENTS

Letter of Transmittal 1
Corporate Overview 2
Governance Structure 3
Strategic Performance Reporting 8
Management Discussion and Analysis 10
Responsibility for Financial Statements 13
Auditors' Report 13
Consolidated Financial Statements 14
Notes to the Consolidated Financial Statements 17
Corporate Data 23

MANDATE

The Saskatchewan Government Growth Fund Management Corporation (SGGF MC) is a designated Crown Investments Corporation (CIC) Crown corporation which was established to create and manage investment funds under the Federal government's Immigrant Investor Program (IIP).

MISSION

The mission of SGGF MC was to participate in the Federal government's IIP for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms. Investment of this capital created economic wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

LETTER OF TRANSMITTAL

Regina, Saskatchewan
March 6, 2009

To His Honour
The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the
Province of Saskatchewan

Sir:

I have the honour to submit herewith the Annual Report of Saskatchewan Government Growth Fund Management Corporation for the year ended December 31, 2008, including the consolidated financial statements duly certified in the form approved by the Treasury Board, all in accordance with **The Crown Corporations Act, 1993**.

I have the honour to be,
Your obedient servant,

Honourable Lyle Stewart
Minister Responsible
Saskatchewan Government Growth Fund Management Corporation

CORPORATE OVERVIEW

Saskatchewan Government Growth Fund Management Corporation (SGGF MC) is a designated Crown Investments Corporation (CIC) Crown corporation which was established to create and manage investment funds under the Federal government's Immigrant Investor Program (IIP).

The Federal IIP was created to promote, encourage, and facilitate the immigration to Canada of persons from abroad who could make a positive contribution to Canada's economic development by applying their risk capital to Canadian ventures which create jobs for Canadians. The IIP was designed for successful business persons who wish to immigrate to Canada and invest in a Canadian enterprise but do not wish to participate in its management.

The guidelines of the IIP required investors to make an investment of $250,000 in a government-administered venture capital fund accepted by both the Federal and Provincial governments. Neither the Federal government nor the Provincial government provided any guarantee on the return of the principal to the investors.

SGGF MC created eight subsidiary fund companies in Saskatchewan set up under the IIP. Each fund is incorporated under **The Business Corporations Act**. Since inception, SGGF MC has held all voting shares for the fund companies and appointed the directors of each fund company board. SGGF MC has delegated all decisions and matters related to the investment activities of the subsidiary fund companies to the Board of Directors of the fund companies.

Administrative and investment management services are currently provided to each of the fund companies through a long-term management agreement between SGGF MC and Crown Capital Partners Inc. These services include fund marketing, investor relations and communication services related to the IIP, as well as investment, accounting, and management of the investment portfolios on behalf of the fund companies.

Saskatchewan participated in the IIP from 1989 to 1999 to avail itself of this source of investor capital to support employment creation in the province. However, in 1999 the Federal government modified the terms of the IIP such that SGGF MC would be required to guarantee the return of principal to the investors. Because of the risk involved with this guarantee, the Province withdrew from the program and began the process of "winding-up" SGGF MC.

As at the end of 2008, only nominal assets remained in the SGGF MC portfolio and the "wind-up" process was substantially completed. As a result, SGGF MC will be dissolved on March 31, 2009 and the remaining "wind-up" activities will occur with CIC retaining all voting shares of the remaining fund companies.

GOVERNANCE STRUCTURE

The following discussion outlines SGGF MC's governance structure through 2008:

Due to its designation as a CIC subsidiary Crown corporation, SGGF MC comes under the purview of CIC's governance structure. SGGF MC financial statements are included in CIC's consolidated annual statements.

Through 2008, SGGF MC acted as sole shareholder of the eight Fund Companies established under **The Business Corporations Act**. As shareholder, SGGF MC had the authority to:

- appoint directors to the Boards of each of the Fund Companies;
- appoint an auditor for the Fund Companies;
- enter into management services contracts for services required by the Fund Companies; and,
- provide the Fund Companies with technical, accounting, legal, or other services required.

Role of the Board

The SGGF MC Board of Directors is responsible for the stewardship of the Corporation. In order to carry out this responsibility, the Board approves the Corporation's overall strategic plan, operating budget and performance indicators. The SGGF MC Board also sets broad performance indicators for the Fund Companies and monitors their results.

The SGGF MC Board also serves as the Audit Committee. Audit plans are presented to and approved by the Board on an annual basis by the external auditor, Deloitte & Touche LLP, and the Provincial Auditor of Saskatchewan. The audit of SGGF MC encompasses an opinion on its financial statements, an opinion on its system of internal control, an opinion on its compliance with legislative and related authorities, as well as any other matters that the auditor may note and report on. Final audit reports are presented to the Board prior to the approval of annual financial reports. In addition, SGGF MC's management provides the Board with an analysis of financial results on a quarterly basis in comparison to prior year and budget amounts, ensuring the Board is apprised of any issues impacting SGGF MC's financial reporting processes and results.

Board Composition

Board members are appointed in accordance with **The Crown Corporations Act, 1993**, for a term of up to three years. Board appointments are recommended by the CIC Board and approved by the Lieutenant Governor in Council.

The SGGF MC Board is composed of five individuals; all are independent of corporate management and of those providing management services to the Fund Companies.

Elizabeth Nash (Chair) holds a Juris Doctor degree, Master of Business Administration, Bachelor of Arts degree in political science and is currently a sole practitioner specializing in securities and corporate governance with public companies and other law firms. Ms. Nash is a member of the U.S. Society of Corporate Secretaries and Corporate Governance Professionals. Ms. Nash resides in Saskatoon, Saskatchewan.

Mary-Lynn Waschuk (Vice-Chair) has extensive experience in the retail sector, the hotel and hospitality industry, marketing and public relations and public sector administration. Now retired, she continues to be an active community volunteer. Ms. Waschuk resides in Elk Ridge Resort near Waskesiu Lake, Saskatchewan.

John Hyshka holds a Bachelor of Commerce degree and has 17 years of economic business development and venture capital experience. He is currently the Chief Financial Officer and Chief Operating Officer of a privately owned biological discovery corporation in Saskatoon, Saskatchewan.

GOVERNANCE STRUCTURE

Neil Buechler retired as a Managing Director of a global risk management and insurance firm where he was responsible for many large clients. Mr. Buechler is an active volunteer in the community, a Paul Harris Fellow of Rotary International, a member of a number of business associations, and serves on the board of directors of several organizations. Mr. Buechler is a recipient of the Saskatchewan Centennial Medal and resides in Saskatoon, Saskatchewan.

Dave Farrell is founding shareholder and current President of Farrell Agencies Ltd., a full service insurance brokerage located in Yorkton, Saskatchewan. Among his 35 years of community service Mr. Farrell has served as Past President, Yorkton Exhibition Association and as a Director, Insurance Brokers Association of Saskatchewan.

Board Orientation and Director Development

Upon appointment, new Board members receive an orientation overview delivered by management. In addition, CIC delivers ongoing education for Directors to assist them in the performance of their duties.

Accountability and Board Performance

The SGGF MC Board has reviewed its governance practices against the CSA Corporate Governance Guidelines. These guidelines address the key areas or responsibility for effective corporate governance. Please refer to the following page for a detailed evaluation of these guidelines against SGGF MC governance practices.

Management Team

The management team of SGGF MC consists of employees of the parent company, CIC. All responsibilities associated with the hiring, evaluation, and administration of the SGGF MC management team are carried out by the Board of Directors in consultation with CIC. Currently, the team consists of three members: President, Chief Financial Officer, and Controller. The President is appointed by the Board of Directors through consultation with CIC.

John Amundson, CA, President, is a Chartered Accountant and holds a Bachelor of Commerce degree. He is currently Corporate Controller at CIC and has 16 years of accounting and finance experience in the public sector.

Mark Anderson, Chief Financial Officer, holds a Bachelor of Administration degree. He is currently Senior Analyst, Performance Management and Financial Analysis at CIC and has 4 years of experience in the public sector.

Dawn Arguin, Controller, holds a Diploma in Accountancy-Financial Management. She is currently a Staff Accountant at CIC and has 16 years of accounting and finance experience in the public sector.

The management team carries out the strategic direction set by the SGGF MC Board of Directors and is accountable to the Board. Its responsibilities include planning, budgeting, internal controls and processes, financial reporting and analysis, and oversight of investment management. The management team works with Crown Capital Partners Inc., the investment services corporation, to ensure administrative and investment management services are provided to each of the Fund Companies.

As CIC employees, the management team carries out its administrative duties in accordance with CIC policies. These policies include a Code of Conduct policy that governs the use of corporate property, adherence to confidentiality policies, and employee conduct. A Conflict of Interest policy is also in place to address the use of confidential information and outside business involvement. The management team, as employees of CIC, does not receive compensation from SGGF MC and as such, Board members do not review compensation programs for the management team.

GOVERNANCE STRUCTURE

Governance at Wind-up

While SGGF MC and SGGF Ltd. are expected to be wound-up as of March 31, 2009, the remaining seven Funds are not expected to be completely wound up until mid 2010. As parent company, CIC will assume all responsibilities previously assigned to SGGF MC until the wind-up of the remaining seven Fund companies is finalized. Crown Capital Partners Inc., the investment services corporation, is expected to continue to play a key role during the final years of wind-up by ensuring administrative and investment management services are provided to each of the Fund Companies.

CSA Corporate Governance Committee's Guidelines	SGGF MC's Corporate Governance Practices
1. The Board should explicitly assume responsibility for the stewardship of the Corporation, and specifically for:	
(a) The adoption of a strategic planning process.	The Board of Directors has a formal mandate with responsibility to function as stewards of the Corporation. One of the Board's primary functions is to provide leadership in determining the Corporation's long-range strategic direction and to approve the Corporation's overall strategic and performance management plan. As part of its planning process, the SGGF MC Board reviews and approves the strategic and performance plan on an annual basis. Financial goals, policy objectives, operating budgets, and business plans of SGGF Fund Companies are important considerations in setting both short term targets and long term strategic direction. **Consistent With CSA Guidelines: YES**
(b) The identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks.	The Board identifies the principal risks of the Corporation on an annual basis. Risks are monitored through reporting activities of SGGF MC management and communication with SGGF Fund Company Boards. **Consistent With CSA Guidelines: YES**
(c) Succession planning, including appointing, training, and monitoring senior management.	SGGF MC does not have paid senior management. Senior management is provided by CIC free of charge. CIC has committed to provide executive staff from its Finance & Administration Division. **Consistent With CSA Guidelines: PARTIALLY**
(d) A communications policy for the Corporation.	As a CIC Crown corporation, SGGF MC follows the communications guidelines of the commercial Crown corporation sector. SGGF MC maintains its web-sites, sggfmc.com and sggfmc.ca, to facilitate communication with stakeholders. **Consistent With CSA Guidelines: YES**

GOVERNANCE STRUCTURE

(e) The integrity of the Corporation's internal control and management information systems.	The Provincial Auditor of Saskatchewan issues an opinion on SGGF MC's system of internal controls. External auditors and the Provincial Auditor are also provided with an in-camera session with the Board of Directors to discuss internal control for financial reporting issues. **Consistent With CSA Guidelines: YES**
2. (a) The Board should be constituted with a majority of individuals who qualify as "unrelated" directors. An unrelated director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interest and relationships arising from shareholding.	There are currently five individuals on the SGGF MC Board of Directors. Elizabeth Nash (Chair), Mary-Lynn Waschuk (Vice-Chair), John Hyshka, Neil Buechler, and Dave Farrell. None of the Directors are related to the operations of SGGF MC. **Consistent With CSA Guidelines: YES**
(b) The Board should disclose if the Corporation has a "significant shareholder" and how the Board reflects the interests of the shareholders other than the significant shareholder.	SGGF MC is a statutory Crown corporation and does not have any share capital. By Order in Council, SGGF MC is a wholly-owned subsidiary of CIC. **Consistent With CSA Guidelines: YES**
3. The Board is required to disclose on an annual basis the analysis of the application principles supporting the conclusion of whether the director is related or an unrelated director.	Elizabeth Nash: UNRELATED Mary- Lynn Waschuk: UNRELATED John Hyshka: UNRELATED Dave Farrell: UNRELATED Neil Buechler: UNRELATED All five directors are external and unrelated to management. None of the directors have received remuneration from the Corporation in excess of fees and compensation as directors of the Corporation and subsidiaries, nor have they engaged in material contracts to perform other services for the Corporation. **Consistent With CSA Guidelines: YES**
4. The Board should appoint a committee of directors composed exclusively of outside (i.e., non-management) directors, a majority of whom are unrelated, with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis.	The SGGF MC Board does not appoint committees but instead acts as a nomination committee for proposing new members to CIC and Executive Council. All Directors are unrelated to the operations of SGGF MC. **Consistent With CSA Guidelines: PARTIALLY**
5. The Board should implement a process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.	The SGGF MC Board has a process for assessing its effectiveness, which is consistent with CIC's guidelines. **Consistent With CSA Guidelines: YES**
6. The Board should provide an orientation and education program for new directors.	New Board members are provided with extensive orientation materials and a training program facilitated by CIC. **Consistent With CSA Guidelines: YES**

GOVERNANCE STRUCTURE

7. The Board should examine its size with a view to facilitate more effective decision-making.	The SGGF MC Board can examine its size and recommend changes to CIC. **Consistent With CSA Guidelines: PARTIALLY**
8. The Board should review the adequacy and form of the compensation of directors to ensure the responsibilities and risks involved in being an effective director are reflected.	Compensation for Directors is set up by CIC, the parent company. **Consistent With CSA Guidelines: PARTIALLY**
9. Board committees should generally be composed of outside (i.e., non-management) directors, a majority of whom are unrelated.	SGGF MC Board of Directors does not have any members who are part of management. **Consistent With CSA Guidelines: YES**
10. The Board should appoint a committee responsible for developing the Corporation's approach to governance issues and these guidelines.	SGGF MC Board of Directors is responsible for developing the Corporation's approach to governance issues and reviewing effectiveness of guidelines and processes. **Consistent With CSA Guidelines: PARTIALLY**
11. (a) The Board should develop position descriptions for the Board and for the CEO, involving the definition of the limits to management's responsibilities.	The Board of Directors has agreed to Terms of Reference which outline the responsibilities for the Board and Management. The Board of Directors has approved policies for the execution of documents and expenditure authorities for the CEO and Senior Management. These policies outline the limits to Senior Management's authorities and the levels for which matters must receive Board of Directors approval. **Consistent With CSA Guidelines: YES**
(b) The Board should develop the corporate objectives which the CEO is responsible for meeting.	On an annual basis the Board of Directors approves a corporate performance plan outlining the objectives which will be met over the following year. **Consistent With CSA Guidelines: YES**
12. The Board should have in place appropriate structures and procedures to ensure that the Board can function independently of management.	The independence of the Board is ensured through the coordination of Board matters by the Chair, who is an outside and unrelated director. At each meeting of the Board of Directors, an in-camera session is held where the President, as well as senior management staff, is excused. **Consistent With CSA Guidelines: YES**
13. The audit committee of the Board should be composed only of outside directors and its roles and responsibilities should be specifically defined.	Functions typically performed by an Audit and Finance Committee are carried out by the SGGF MC Board. **Consistent With CSA Guidelines: PARTIALLY**
14. The Board should implement a system which enables individual directors to engage outside advisers at the expense of the Corporation in appropriate circumstances.	The Board may obtain the advice and counsel of external advisors if, in the opinion of the Board, it is necessary in order to properly discharge their function, duties and responsibilities that such advisor be engaged. **Consistent With CSA Guidelines: YES**

STRATEGIC PERFORMANCE REPORTING

Performance Management Process

SGGF MC prepares an annual performance plan and balanced scorecard in accordance with CIC's performance management policy. SGGF MC's performance plan for 2008 was approved by both the CIC and SGGF MC Boards of Directors. Actual performance results (compared against this plan) were reported quarterly to both Boards as well.

SGGF MC Balanced Scorecard

The SGGF MC balanced scorecards below were approved by the CIC Board of Directors as part of the annual performance management planning process for the Saskatchewan Crown sector. As SGGF MC expects its operations to be wound up in 2009, performance measures are limited and financially oriented.

Financial Perspective

Objectives	Measures	2007 Results	2008 Target	2008 Results	2009 Target
Return cash surplus	Annual cash surplus declared as dividend on wind-up	Nil	**Nil**	**Nil**	$1.3

The Financial Perspective reports SGGF MC's performance in returning a profit to the shareholder. In 2008, SGGF MC did not project any dividend due to litigation issues. Through 2008, litigation issues were substantially resolved, which cleared the way to wind-up the organization. At wind-up, SGGF MC expects to pay a dividend of $1.3 million.

Public Policy Perspective

Objectives	Measures	2007 Results	2008 Target	2008 Results	2009 Target
Supply of foreign capital to support provincial economic growth	Active capital participation in provincial SMEs	$7.6M	**$7.6M**	**$7.6M**	$3.0M
	Capital participation in lease-related investments	$16.8M	**$0.6M**	**$0.7M**	$0.2M

The Public Policy Perspective remains substantially the same as in 2007. It is intended to report SGGF MC's progress in achieving its goal to advance provincial economic growth and development. However, because the Fund Companies are in their final stages and divestitures continue to occur, the amount of capital employed will continue to decrease. In 2008, capital participation in provincial small and medium-sized enterprises (SMEs) remained at $7.6 million, consistent with target. Capital participation in lease-related investments declined substantially in 2008 as a result of the expiry of lease-related terms.

STRATEGIC PERFORMANCE REPORTING

Governance Perspective

Objectives	Measures	2007 Results	2008 Target	2008 Results	2009 Target
Maximize investor subscription repayment	Administrative fees charged to fund companies	2%	2%	2%	0%
Wind up fund company operations on a timely basis and at a minimum cost	Wind-up funds within six months of final payment to investors.	None	Fund III Fund IV Fund V	None	SGGF Ltd. Fund II Fund IV Fund V Fund VI Fund VII SGGF MC

Over the last several years, SGGF MC has reduced its administrative fees to the Fund Companies at a rate of 2% annually. The administrative fee was necessary to offset SGGF MC Board compensation, audit fees, and annual report production. With the "wind-up" of SGGF MC, these fees will no longer be necessary and CIC expects to eliminate the 2% "mark-up" in 2009.

SGGF Fund Companies have provided an important source of venture capital financing in Saskatchewan to assist in economic development in the Province. SGGF MC and SGGF Ltd. will be wound-up on March 31, 2009 and five of the remaining seven Fund companies are also expected to be "wound-up" in 2009. The remaining two Fund companies are expected to be completely wound up by 2010. During the final stages of "wind-up", the Funds' focus will continue to be placed on extracting the most value from their remaining investments in order to maximize payments to investors.

MANAGEMENT DISCUSSION AND ANALYSIS

The mission of SGGF MC was to participate in the Federal government's IIP for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms. Investment of this capital created economic wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

The ability of SGGF MC to raise additional funds under the IIP ended on March 31, 1999, when a new Federal program was launched and SGGF MC declined to participate. The capital currently under management and from the three funds launched in 1999 will require administration until 2010.

SGGF MC manages eight government administered venture capital funds under the old IIP, specifically:

Saskatchewan Government Growth Fund Ltd. (SGGF Ltd.);
Saskatchewan Government Growth Fund II Ltd. (SGGF II);
Saskatchewan Government Growth Fund III Ltd. (SGGF III);
Saskatchewan Government Growth Fund IV Ltd. (SGGF IV);
Saskatchewan Government Growth Fund V (1997) Ltd. (SGGF V);
Saskatchewan Government Growth Fund VI Ltd. (SGGF VI);
Saskatchewan Government Growth Fund VII Ltd. (SGGF VII); and,
Saskatchewan Government Growth Fund VIII Ltd. (SGGF VIII).

Since 1989, SGGF MC has raised, through its Fund Companies, approximately $275 million of immigrant investor capital for investment in Saskatchewan small and medium-sized enterprises. Approximately $273 million of this capital was invested in 72 eligible businesses and infrastructure projects. As SGGF Funds are no longer accepting immigrant investor capital, no further investments took place in 2008.

Substantially all of the administration and investment advisory services for the Fund Companies are contracted out to a fund manager. Each Fund Company is managed as a distinct entity and the fund manager is paid a monthly fee for its services. The manager will also receive a share of the net profits, if any, of a Fund after all liabilities, including investor obligations, of the Fund have been paid.

SGGF Ltd.'s results have been consolidated with those of SGGF MC in these financial statements since all of SGGF Ltd.'s investors have been redeemed and SGGF MC is now able to share in the risks and rewards of ownership of SGGF Ltd.

SGGF MC's consolidated loss of $742 thousand for 2008 was comparable to SGGF MC's 2007 loss of $789 thousand.

Because SGGF MC is in wind-up and it is managing a declining asset base, both revenues and expenditures related to the management of each Fund are declining.

The operating revenues of SGGF MC are based on the transactions it processes on behalf of the Fund companies as ongoing management expenses are charged to the Fund Companies at a modest mark up. Management fees are declining due to a decrease in the asset base on which the fund management fee is calculated. Management fee revenue of $494 thousand in 2008 is down from the $821 thousand earned in 2007.

Operating expenditures also continue to decline as the asset base is "wound-up". Crown Capital Partners is compensated based on the assets it manages and thus, Fund manager fees have continued to decline throughout the wind-up process. Fund manager fees were $371 thousand in 2008 compared to $673 thousand in 2007.

The most significant expenditure causing losses in both 2007 and 2008 is related to SGGF MC's defense in litigation issues brought forward by Ceapro Inc. In 2008, SGGF MC was successful in its defense and is currently negotiating a resolution to an appeal of the decision launched by Ceapro.

The successful conclusion of litigation issues has provided an opportunity for SGGF MC to "wind-up" its operations. SGGF MC responsibilities for the Fund companies will be absorbed by its parent company CIC.

Fund Company Highlights

SGGF Ltd.: Since the last of its investors were redeemed in 1998, the focus of the Fund has been on liquidating its investments when opportunities arise. The remaining assets of the Fund will be wound-up into CIC on March 31, 2009.

SGGF II: The Fund has liquidated all of its investments and no further payments to bondholders will be possible. SGGF II is scheduled for dissolution in 2009.

SGGF III: The priority of SGGF III in 2008 continued to be the liquidation of its remaining investments to provide funds for payments to note holders. In 2008, the Fund recorded a net loss of $1.7 million, reflecting a decrease in the fair value of investments. The Fund currently has an accumulated deficit of $3.7 million. Investors have received principal payments totaling $165.0 thousand. The objective of the Fund is to dispose of the remaining investments in 2009. Additional payments to note holders will be made when cash becomes available from the liquidation of investments.

SGGF IV: The priority of SGGF IV in 2008 continued to be the liquidation of its remaining investments to provide funds for payments to note holders. All investors have now received payment of $242.0 thousand on their note. In 2008, SGGF IV recorded a net loss of $42.8 thousand primarily as a result of a decrease in the estimated fair value of an investment resulting in an accumulated deficit of $1.0 million. It is unlikely that the Fund will be able to repay the full principal amount of note obligations to investors. If the assumptions underlying current forecasts of cash flows from investments prove to be correct, payment of some additional principal amounts may be possible in 2009.

SGGF V: During 2008, the priority of SGGF V was generating cash to repay principal amounts of notes. All investors of the Fund have now received payment of $225.0 thousand on their note. The Fund recorded a net loss for the year of $21.6 thousand. The accumulated deficit of the Fund is currently at $1.6 million. It is unlikely that the Fund will be able to repay the full principal amount of note obligations to investors. If the assumptions underlying current forecasts of cash flows from investments prove to be correct, an additional payment to note holders may be possible in 2009.

SGGF VI: During 2008, the priority for SGGF VI was to actively manage its remaining investments with a view to achieving the best liquidation proceeds available to fund repayments of amounts due on notes. The Fund recorded net income of $225.6 thousand, reflecting that net investment income exceeded administrative costs and interest on obligations to investors. The accumulated deficit of the Fund is currently at $0.8 million. In 2008, the amount paid at maturity of notes was increased to $225.0 thousand from $220.0 thousand. If the assumptions underlying the current forecasts of cash flows from investments prove to be correct, payment of some principal amounts in addition to the payments to date may be possible in 2009.

SGGF VII: The priority for SGGF VII in 2008 was to actively manage its remaining investments with a view to achieving the best liquidation proceeds available to fund repayments of amounts due on notes. The Fund recorded net income of $212.4 thousand, reflecting that net investment income exceeded the administrative costs and interest on obligations to investors. The accumulated deficit of the Fund is currently at $1.4 million. In 2008, the amount paid at maturity of the notes was increased to $217.5 thousand from $210.0 thousand set in 2007. If the assumptions underlying the current forecasts of cash flows from investments prove to be correct, payment of some principal amounts in addition to the payments to date may be possible in 2009.

SGGF VIII: During 2008, the priority for SGGF VIII was to actively manage its remaining investments with a view to achieving the best liquidation proceeds available to fund repayments of amounts due on notes. The Fund recorded net income of $349.5 thousand, reflecting that net investment income exceeded the administrative costs and interest on obligations to investors. The accumulated deficit of the Fund is currently at $1.5 million. In 2008, the amount paid at maturity of the notes $195.0 thousand which is unchanged from 2007. If the assumptions underlying the current forecasts of cash flows from investments prove to be correct, payment of some principal amounts in addition to the payments to date may be possible in 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook for 2009

During 2009, the priority of SGGF Funds III, IV, V, VI, VII and VIII will continue to be to actively manage its remaining investments with a view to achieving the best liquidation proceeds available in the prevailing circumstances so that additional payments due on notes can be made to remaining investors. Additional payments will be made when cash becomes available from the liquidation of the Fund Companies' investments.

Summary of Financial Position (As at December 31, 2008)

	Cash and Cash Equivalents	Investments	Other Assets	Total Assets	Liabilities	Fund Equity (Deficiency)
SGGF Ltd	$ 803,094	$ 39,009	$ 28,155	$ 870,258	$ 166,987	$ 703,271
SGGF II	71,126	-	-	71,126	7,910,517	(7,839,391)
SGGF III	208,881	5,398,995	-	5,607,876	9,331,641	(3,723,765)
SGGF IV	268,213	18,495	-	286,708	1,244,311	(957,603)
SGGF V	794,953	430,000	-	1,224,953	2,779,026	(1,554,073)
SGGF VI	462,418	1,032,629	88	1,495,135	2,310,631	(815,496)
SGGF VII	826,031	1,077,994	265	1,904,290	3,302,156	(1,397,866)
SGGF VIII	727,719	2,184,410	690	2,912,819	4,372,184	(1,459,365)
Total	$ 4,162,435	$ 10,181,532	$ 29,198	$ 14,373,165	$ 31,417,453	$ (17,044,288)

Summary of Results of Operations (For the Year Ending December 31, 2008)

	Revenues	Administrative Expenses	Financial Expenses	Total Expenses	Income (loss) from Operations	Change in Investment Value	Net Earnings/(Loss)
SGGF Ltd	$ 35,305	$ 629,106	$ -	$ 629,106	$ (593,801)	$ (87,422)	$ (681,223)
SGGF II	2,832	7,995	-	7,995	(5,163)	-	(5,163)
SGGF III	8,442	125,371	-	125,371	(116,929)	(1,601,791)	(1,718,720)
SGGF IV	10,505	16,060	-	16,060	(5,555)	(37,289)	(42,844)
SGGF V	66,407	50,790	15,613	66,403	4	(21,615)	(21,611)
SGGF VI	326,863	90,202	55,046	145,248	181,615	43,976	225,591
SGGF VII	314,146	93,566	52,704	146,270	167,876	44,540	212,416
SGGF VIII	469,051	92,701	44,672	137,373	331,678	17,826	349,504
Total	$ 1,233,551	$ 1,105,791	$ 168,035	$ 1,273,826	$ (40,275)	$ (1,641,775)	$ (1,682,050)

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements have been prepared by management of Saskatchewan Government Growth Fund Management Corporation. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgments where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements, meeting with management, the Corporation's external auditors Deloitte & Touche LLP, and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

Deloitte & Touche LLP has audited the Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Consolidated Financial Statements, appears opposite.

On behalf of management,

John Amundson, CA
President

Mark Anderson
Chief Financial Officer

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the consolidated statement of financial position of Saskatchewan Government Growth Fund Management Corporation as at December 31, 2008 and the consolidated statements of operations and comprehensive income (loss), retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants

Regina, Saskatchewan
February 26, 2009

Consolidated Statement of Financial Position
As at December 31

	2008	2007
Assets		
Current		
Cash and cash equivalents (Note 4)	$ 1,483,552	$ 2,738,745
Accounts receivable	72,160	38,514
	1,555,712	2,777,259
Investments (Note 5 and Note 6)	39,009	126,431
	$ 1,594,721	$ 2,903,690
Liabilities and Province's Equity		
Current		
Accounts payable and accrued liabilities (Note 7)	$ 243,910	$ 610,944
Site restoration liability (Note 8)	-	200,000
	243,910	810,944
Province of Saskatchewan's Equity		
Equity advances (Note 9)	1,031	1,031
Retained earnings	1,349,780	2,091,715
	1,350,811	2,092,746
	$ 1,594,721	$ 2,903,690
Contingencies (Note 10)		

(See accompanying notes)

E H Nash
Director

M L Waschuk
Director

FINANCIAL STATEMENTS

Consolidated Statement of Operations and Comprehensive Income (Loss)
For the Year Ended December 31

	2008	2007
Revenues		
Management fees (Note 11)	$ 493,697	$ 821,278
Interest and other income	60,416	130,646
	554,113	951,924
Expenses		
Fund manager fees	370,674	673,238
Legal fees and professional fees	924,204	942,291
Directors' fees and expenses	108,556	66,742
General administration	5,192	7,490
	1,408,626	1,689,761
Loss before the following	(854,513)	(737,837)
Recovery of provision for site restoration	200,000	-
Loss in market value of investments (Note 5)	(87,422)	(43,555)
Loss on write-down of investments (Note 6)	-	(8,000)
Net loss	(741,935)	(789,392)
Other Comprehensive Income	-	-
Comprehensive Income (Loss)	$ (741,935)	$ (789,392)

Consolidated Statement of Retained Earnings
As at December 31

	2008	2007
Retained earnings, beginning of year	$ 2,091,715	$ 2,807,303
Net loss	(741,935)	(789,392)
Adjustment due to change in accounting policy (Note 5)	-	73,804
Retained earnings, end of year	$ 1,349,780	$ 2,091,715

(See accompanying notes)

Consolidated Statement of Cash Flows
For the Year Ended December 31

	2008	2007
Operating activities		
Net loss	**$ (741,935)**	$ (789,392)
Items not affecting cash from operations:		
Recovery of provision for site restoration	**(200,000)**	-
Net loss in market value of investments	**87,422**	51,555
Net change in non-cash balances related to operations (Note 12)	**(400,680)**	149,147
Cash used in operating activities	**(1,255,193)**	(588,690)
Change in cash and cash equivalents during year	**(1,255,193)**	(588,690)
Cash and cash equivalents, beginning of year	**2,738,745**	3,327,435
Cash and cash equivalents, end of year	**$ 1,483,552**	$ 2,738,745

(See accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

1. Status of the Corporation

Saskatchewan Government Growth Fund Management Corporation (SGGF MC) has been established for the purpose of creating and managing fund companies that have been accepted as government administered venture capital funds under the Federal government's Immigrant Investor Program (IIP). Order-in-Council #660/1998 establishes that the provisions of **The Crown Corporations Act, 1993** apply. Accordingly, the financial results of SGGF MC are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC) (Note 15).

SGGF MC is a Saskatchewan Crown corporation and therefore is not subject to Federal and Provincial income taxes.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Consolidation principles and basis of presentation

The consolidated financial statements include the accounts of SGGF MC and its wholly-owned subsidiary, Saskatchewan Government Growth Fund Ltd. (SGGF Ltd.). All inter-company transactions and balances have been eliminated. See Note 14 for additional information.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and as adjustments become necessary they are reported in the Consolidated Statement of Operations and Comprehensive Income (Loss) in the period in which they become known.

Financial instruments

SGGF MC's financial instruments, classification and measurement basis are as follows:

- Cash and cash equivalents are held-for trading and are measured at cost which approximates fair value due to the short-term maturity.
- Accounts receivable are classified as loans and receivables and are measured at amortized cost.
- Accounts payable and accrued liabilities are classified as other liabilities and are measured at amortized cost.
- Investments are classified as held-for-trading and are measured at fair value.

2. Summary of significant accounting policies (continued)

Investments

Investments include equity investments in private and public companies. Fair values are based on quoted market prices, specifically the latest bid price, where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade-date basis. Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading.

Investments in fund companies

As at December 31, 2008, SGGF MC owns 100 per cent of the Class A common shares of seven companies, collectively known as "the funds":

Saskatchewan Government Growth Fund II Ltd. (SGGF II);
Saskatchewan Government Growth Fund III Ltd. (SGGF III);
Saskatchewan Government Growth Fund IV Ltd. (SGGF IV);
Saskatchewan Government Growth Fund V (1997) Ltd. (SGGF V);
Saskatchewan Government Growth Fund VI Ltd. (SGGF VI);
Saskatchewan Government Growth Fund VII Ltd. (SGGF VII); and,
Saskatchewan Government Growth Fund VIII Ltd. (SGGF VIII).

SGGF MC does not guarantee the performance of the funds nor does it share in the risks of ownership until all investor obligations have been satisfied. Investments in the funds are recorded at net realizable value (Note 6). Readers should refer to the audited financial statements of the funds for further information on their financial position and operating results.

3. Changes in accounting policy

Effective January 1, 2008, SGGF MC adopted the accounting recommendations for capital disclosures (Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535) in accordance with the transition provisions of the section. This section requires disclosure of information related to the objectives, policies and processes for managing capital, and particularly whether externally imposed capital requirements have been complied with. As this standard only addresses disclosure requirements, there is no impact on SGGF MC's operating results.

Effective January 1, 2008, SGGF MC adopted the accounting recommendations for financial instruments - disclosures (CICA Handbook Section 3862) and financial instruments - presentation (CICA Handbook Section 3863) in accordance with the transition provisions of the sections. These sections replace the existing disclosure and presentation recommendations contained in financial instruments - disclosure and presentation (CICA Handbook Section 3861). The new disclosure standards increase the disclosures related to financial instruments, and the nature, extent and management of SGGF MC's risks arising from financial instruments. The presentation standards carry forward unchanged from the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on SGGF MC's operating results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

4. Cash and cash equivalents

Included in cash and cash equivalents are $1,167,287 (2007 - $2,049,109) of short-term money market instruments maturing on or before March 16, 2009 which carry an average interest rate of 1.61 per cent (2007 - 4.84 per cent).

5. Investments

	2008	2007
Equity	$ 39,009	$ 126,431
	$ 39,009	$ 126,431

During the year investments were adjusted as follows:

	2008	2007
Balance, beginning of year	$ 126,431	$ 96,182
Adjustment due to change in accounting policy	-	73,804
New investments	-	-
Dispositions	-	-
Net change in market value of investments	(87,422)	(43,555)
Balance, end of year	$ 39,009	$ 126,431

Net change in market value of investments is recorded in the consolidated statement of operations and comprehensive income (loss).

6. Investments in fund companies

SGGF MC has determined that all investments held within the fund companies will be needed to discharge their responsibilities to their investors. As a result, SGGF MC has determined the net realizable value of SGGF II through SGGF VIII is $nil.

7. Accounts payable and accrued liabilities

Included in accrued liabilities is a $100,000 (2007 - $100,000) provision for future fees payable to the fund manager under the terms of its management services agreement with SGGF Ltd. The fees are payable to the fund manager only upon satisfaction of all liabilities of the fund.

8. Site restoration liability

SGGF MC had recorded a provision of $200,000 in order to place property held for sale into a saleable position. During the year SGGF MC sold the property "as is", therefore the site restoration liability has been reduced to $nil and the amount recorded as income in the current year.

9. Equity advances and capital disclosures

SGGF MC does not have share capital. However, SGGF MC has received advances from its parent CIC to form its equity capitalization. The advances are an equity investment in SGGF MC by CIC.

SGGF MC is in the process of winding down its operations. Currently SGGF MC does not carry any debt, and is not expecting to borrow during its wind-down period. Any assets on dissolution will be transferred to CIC.

10. Contingencies

SGGF MC, together with other parties, is a defendant in a legal action. SGGF MC believes that the claim is without merit and will vigorously contest the lawsuit. No amounts have been provided in respect of this lawsuit in these consolidated financial statements, and it is not possible to estimate any costs which might result.

11. Related party transactions

Included in these financial statements are transactions with the funds, various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to SGGF MC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

Under the terms of the Management Agreements between SGGF MC and the funds, SGGF MC administers the assets of the funds until the wind-up of each of the funds.

SGGF MC is engaged to provide substantially all of the management services required by the funds. SGGF MC uses the assistance of various investment advisors and a fund manager to perform fund administration and due diligence, monitoring, and liquidation of investments. All services provided to the funds are charged on a fee for service basis. Total fees received or receivable from the funds during the year amounted to $493,697 (2007 - $821,278).

CIC provides management services to SGGF MC without charge.

Other transactions with related parties are disclosed separately in the financial statements and notes thereto.

12. Net change in non-cash balances related to operations

	2008	2007
(Increase) decrease in accounts receivable	$ (33,646)	$ 16,407
(Decrease) increase in accounts payable and accrued liabilities	(367,034)	132,740
	$ (400,680)	$ 149,147

13. Financial instruments

SGGF MC maintains a portfolio of investments in Saskatchewan businesses. This entails exposure to market risk, credit risk and liquidity risk.

Market risk

Market risk faced by SGGF MC is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the businesses invested in. Some of the companies are dependent upon a single product or industry. SGGF MC is currently divesting of its remaining investments. Any changes to fair value of these investments would be limited to the current carrying value.

Interest rate risk reflects the risk that SGGF MC's earnings will decline due to fluctuations in interest rates. SGGF MC is exposed to interest rate risk on its short-term cash deposits. Any fluctuations in interest rates on short-term investments would not have a material effect on SGGF MC's financial position.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk relates to cash and cash equivalents, accounts receivable, and investments held by SGGF MC. Cash and cash equivalents relate mostly to short-term investments and accounts receivable relates to interest receivable. Investments are made through the Saskatchewan Ministry of Finance and adhere to strict credit quality guidelines.

The carrying amount of financial assets represents the maximum credit exposure as follows:

	2008	2007
Cash and cash equivalents	$ 1,483,552	$ 2,738,745
Accounts receivable	72,160	38,514
Investments - held-for-trading	39,009	126,431
	$ 1,594,721	$ 2,903,690

Liquidity risk

Liquidity risk is the risk that SGGF MC is unable to meet its financial commitments as they become due. The Corporation is a Provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. Currently SGGF MC has sufficient resources to discharge all liabilities.

14. Consolidation of SGGF Ltd.

The results of SGGF Ltd. have been consolidated and accounted for using the purchase method. Summarized financial statements of SGGF Ltd. are as follows:

	2008	2007
Statement of Financial Position		
Cash and cash equivalents	$ 803,094	$ 2,048,961
Investments	39,009	126,431
Other assets	28,155	4,126
	$ 870,258	$ 2,179,518
Liabilities	$ 166,987	$ 795,024
Equity	703,271	1,384,494
	$ 870,258	$ 2,179,518
Statement of Operations		
Revenues	$ 35,305	$ 96,172
Expenses	(20,059)	(17,482)
Investment and legal expenses	(609,047)	(769,193)
Loss in market value of investments	(87,422)	(43,555)
Net loss	$ (681,223)	$ (734,058)

15. Subsequent event

By resolution of the CIC Board of Directors on February 26, 2009, SGGF MC will be dissolved on March 31, 2009. All remaining assets and liabilities will be transferred to CIC on the date of dissolution.

16. Comparative figures

Certain of the 2007 comparative figures have been reclassified to conform to current year's presentation.

CORPORATE DATA

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Board of Directors
Elizabeth Nash, Chair
Mary-Lynn Waschuk, Vice-Chair
John Hyshka
Dave Farrell
Neil Buechler

Fund Companies
Saskatchewan Government Growth Fund Ltd.
Saskatchewan Government Growth Fund II Ltd.
Saskatchewan Government Growth Fund III Ltd.
Saskatchewan Government Growth Fund IV Ltd.
Saskatchewan Government Growth Fund V (1997) Ltd.
Saskatchewan Government Growth Fund VI Ltd.
Saskatchewan Government Growth Fund VII Ltd.
Saskatchewan Government Growth Fund VIII Ltd.

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